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High-level ministerial segment and policy dialogue with heads of international organizations

Letter dated 24 February 2005 from the Chargés d'affaires a.i. of the Permanent Missions of Mexico and the United States of America to the United Nations addressed to the Secretary-General

We have the honour to inform you that the Governments of Mexico and the United States of America co-hosted a "Country-led Initiative in support of the United Nations Forum on Forests on the Future of the International Arrangement on Forests" in Guadalajara, Mexico, from 25 to 28 January 2005. The Country-led Initiative was also co-sponsored by the Governments of Austria, Canada, Finland, France, Germany, Luxembourg, the Netherlands, New Zealand and the United Kingdom of Great Britain and Northern Ireland and the Food and Agriculture Organization of the United Nations and the International Tropical Timber Organization.

The objectives of the Country-led Initiative (CLI) were as follows:

(a) To further elaborate the critical elements desired by countries in a future international arrangement on forests (IAF) in order to increase its effectiveness, focusing in particular on the options for institutional modalities, and the financial mechanisms of an enhanced international arrangement on forests as a vehicle for promoting significant improvement in the management, conservation and sustainable development of all types of forests to achieve sustainable forest management worldwide;

(b) To allow participants of the Country-led Initiative, while acting in their personal capacities, to study in depth and expand their understanding of the expectations, goals and ambitions held by others for a future international arrangement on forests, and to provide thereby an informal contribution that will help to provide a basis for their consideration of the decision to be made at the fifth session of the Forum, thus contributing to an atmosphere of mutual respect and harmony in these important deliberations.

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We should be grateful if the present letter and the attached report of the Country-led Initiative could be issued as documents of the fifth session of the Forum.

(*Signed*) Manuel Gomez **Robledo**
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Chargé d'affaires a.i.

(*Signed*) Anne W. **Patterson**
Acting Permanent Representative of the United States to
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Co-Chairs' report on the Country-led Initiative in support of the United Nations Forum on Forests on the Future of the International Arrangement on Forests* (the Guadalajara Report)

(Guadalajara, Mexico, 25-28 January 2005)

I. ORGANIZATIONAL AND OTHER MATTERS

A. Venue and duration of the meeting

1. The Country-led Initiative in support of the UNFF on the Future of the International Arrangement on Forests was held in Gualadajara- Zapopan, Mexico, on 25 - 28 January 2005.

B. Official opening

2. The meeting was opened by Dr. Francisco García García, Co-Chair of the Country-led Initiative, who welcomed the participants and presented the members of the podium. Statements were made by Lic. Arturo Zamora Jiménez, Municipal President of Zapopan, Jalisco, Mr. Pekka Patosaari, Director, UNFF Secretariat, Ing. Manuel Reed Segovia, General Director of the National Forest Agency, Sr. Ramón González Muñoz, Secretary of Environment and Sustainable Development, representing the Constitutional Governor of the State of Jalisco. Ms. Jan McAlpine, Co-Chair of the Country-led Initiative, explained the objectives of the CLI.

3. The meeting was declared officially open by Ingeniero Alberto Cárdenas Jiménez, Secretary of the Environment and Natural Resources of Mexico. He stated that:

- *Since the beginning of the Administration of President Vicente Fox, forest and water issues were declared strategic priority matters for the country, and as issues of national security*
- *This is why Mexico advocates that now is the time for a substantial change and to move from dialog to action*
- *The global forest agenda can only be achieved through cooperation and collective efforts from all countries and international institutions, through financial availability as well as through appropriate support mechanisms*
- *As a priority within the environment agenda today, there is a need to conduct the forest sector as an integrated policy, pursued as a cross sectoral approach and achieved with support from every government institution. There is now an increased awareness that enhancement of the environment in the rural forest sector would help poverty alleviation*

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* Co-sponsored by the Governments of Austria, Canada, Finland, France, Germany, Luxembourg, the Netherlands, New Zealand, Switzerland, the United Kingdom of Great Britain and Northern Ireland, the United States of America and Mexico, and the Food and Agriculture Organization of the United Nations and the International Tropical Timber Organization.

- *He further emphasized the need for an instrument for all types of forests, one that is innovative, novel and effective, with high political profile, linked to socio- economic needs and priorities, and by establishing a World Forest Fund*

C. Background

4. The Country-led Initiative in support of the UNFF on the Future of the International Arrangement on Forests (CLI) followed directly the Meeting of the Ad Hoc Group of Experts on Consideration with a view to Recommending the Parameters of a Mandate for Developing a Legal Framework for All Types of Forests (AHEG PARAM), held in New York on 7-10 September 2004, and from the call for continuing dialogue in advance of UNFF 5 that would permit further consideration of options and critical elements desired by countries in an IAF, in order to improve its effectiveness.

5. The richness and the constructive discussion and exchange of views of the AHEG PARAM and its report constituted the CLI´s point of departure. Participants also considered a background discussion paper prepared by Dr. Jag Maini.

D. Objectives of the Country-led Initiative

6. The Country-led Initiative in support of the UNFF on the Future of the International Arrangement on Forests had the following two objectives:

(a) To further elaborate the critical elements desired by countries in a future international arrangement on forests (IAF) in order to increase its effectiveness, focusing in particular on the options for institutional modalities, and the financial mechanisms of an enhanced IAF as a vehicle for promoting significant improvement in the management, conservation and sustainable development of all types of forests to achieve sustainable forest management worldwide.

(b) Participants of the CLI, while acting in their personal capacities, will deepen and expand their understanding of the expectations, goals and ambitions held by others for a future IAF; providing an informal contribution that will help to provide a basis for their consideration of the decision to be made at UNFF 5, thus contributing to an atmosphere of mutual respect and harmony in these important deliberations.

E. Preparations and participation

7. A steering group (SG) guided the CLI. Co-Chaired by Mexico and the United States of America, the SG was comprised of representatives of 14 countries. The total number of participants from governments, the CPF, Intergovernmental Organizations, Non Governmental Organizations and Major Groups was 162 persons.

F. Conduct of the meeting and election of officers

8. Participants elected Ms. Andrea Albán Durán (Colombia) and Mr. Tim Rollinson (United Kingdom of Great Britain and Northern Ireland), who had acted as co-chairs of the Ad Hoc Expert Group meeting in

New York, as co-chairs of the CLI. The participants also agreed that that the Co-chairs of the steering group, Mr. Francisco García García (México) and Ms. Jan McAlpine (U.S.A.) would chair the two working groups to help with the tasks of the CLI.

G. Report of the meeting

9. The report of the meeting tries to reflect the richness of the discussions, both in the two Working Groups and in Plenary. It is not a consensus document. The report captures a wide range of views and contributions.

II. MATTERS CONSIDERED BY THE COUNTRY-LED INITIATIVE

10. The agenda covered five main items, which were considered under two broad clusters, as follows:

Cluster 1:

1. Objectives and functions for the future IAF
2. Identification of the international and domestic roles and contributions of potential components of the IAF
3. Challenges ahead

Cluster 2:

4. Modalities of the future IAF
5. Description of options for finance and financing for the IAF

11. To ensure active participation and in-depth discussion, these items were considered in two Working Groups which worked in parallel. The Plenary and Working Group sessions included simultaneous interpretation into three languages: English, French and Spanish. The two Working Groups established different methodologies of work which added to the transparency and richness of the discussion.

1. OBJECTIVES AND FUNCTIONS FOR THE FUTURE IAF

A. General observations

12. Many participants expressed a clear need to change the IAF. To accomplish this, some participants noted that there is a need to set clear overarching (strategic) objectives, functions and targets. Many participants also emphasized the need for mechanisms for monitoring and reporting, compliance, and finance and transfer of technology. This collective perspective would help bring forests back as a priority on the global political agenda as well as help secure political support, facilitate timely implementation and monitor progress. It was also noted that existing objectives and functions in ECOSOC resolution 2000/35 may be used as key elements of the future IAF.

13. Some participants said that the overarching objectives, functions and targets of the future IAF could be derived from the Rio Declaration, Forest Principles and Agenda 21; Millennium Development Goals (MDGs); WSSD Plan of Implementation; Multilateral Environmental Agreements (MEAs); and other internationally agreed goals and targets.

B. Overarching objectives

14. Many participants pointed out that the ECOSOC resolution 2000/35 already states that the main objective of the IAF is to "promote the management, conservation and sustainable development of all types of forests and to strengthen long-term political commitment to this end". Many participants expressed the need for a limited number of overarching (or strategic) objectives for the future IAF that should be clear, focused and easily understandable. These could include:

- protect and maintain global forest cover for the long term economic, social and environmental well-being of all people that depend on forests, including local communities and indigenous peoples
- promote the management, conservation and sustainable development of all types of forests and their contribution to the achievement of the Millennium Development Goals (MDGs), maximizing their contribution to the socio-economic agenda
- facilitate, catalyze and accelerate implementation of sustainable forest management, especially through the CPF members, in countries and in cooperation with stakeholders and Major Groups
- reverse the rate of deforestation and forest degradation as well as rehabilitate and restore the degraded forestland to productive state
- secure high-level political attention and commitment to forests, especially to mobilize financial and technical resources to implement the forest agenda, and highlighting the relevance of scientific evidence to solve political problems.

15. Some participants said that the Technical Cooperation Project approach, developed by FAO, is the best tool to help countries implement sustainable forest management and other IPF/IFF objectives. Some participants considered that a trust fund could also be considered, but any approach adopted should be independent from UN headquarters in order to be accessible to the members of the Collaborative Partnership on Forests (CPF).

16. A number of participants noted that regional processes have a crucial role in establishing mechanisms for forest-related issues, institutional frameworks and international arrangements on forests, such as the Tehran Process for Low Forest Cover Countries.

C. Functions

17. A number of participants noted that the future IAF should have a high-level political status to foster effective cooperation, as equal partners, between its components and other forest-related multilateral organizations (e.g. FAO, ITTO, WB, IMF and WTO), international financial institutions and the Multilateral Environmental Agreements (MEAs). To attain the overarching objectives, some participants

said that there is a need to establish functions of the future IAF. Participants identified a range of potential functions of the future IAF, including:

- secure strong commitment for the objectives and functions of the future IAF from Ministers responsible for forests as well as from the other high-level political leaders, including the Ministers responsible for planning and for providing and receiving ODA
- increase development and implementation of national forest programmes, which are also valuable in promoting intersectoral cooperation
- mobilize increased financial and technical resources, as well as improved governance and cooperation to meet the current and future demand for forest products and services from sustainably managed forests
- take into account the interests of countries in transition as well as developing countries in the context of capacity-building and technology transfer
- publicize and communicate the significance of forests as a source of wood and non-wood forest products and services
- foster initiatives towards increased health, productivity and combat illegal trade in forest products
- establish partnerships with constituencies external to forests to demonstrate the contribution of forests to societal agenda
- engage in partnerships among governments, as well as with institutions and constituencies actively pursuing the societal agenda, and seek their active support for IAF's objectives and functions. Also, proactively engage other sectors from which forests could benefit or those having adverse impact on forests.

18. Participants identified a number of potential functions to be performed by the future IAF, including:

a. *International Forest Policy Forum*

- serve as an open and inclusive intergovernmental forum for policy dialogue on forests to promote and facilitate the implementation of sustainable forest management worldwide
- publicize progress made towards the implementation of sustainable forest management and proposals for action
- identify and undertake proactive analyses of emerging issues, and draw political attention as well as propose appropriate action
- support national forest programmes, public participation in policy-making, criteria and indicators and certification initiatives
- improve communication and public and media relations
- mobilize financial and technical support towards human and institutional capacity building in developing countries and in countries with economies in transition

- facilitate international trade in wood as well as in non-wood forest products and services from sustainably managed sources.

b. *Cross-sectoral issues, including contribution to the societal agenda*

- demonstrate the contribution of forests to the societal agenda, for example, the MDG, poverty alleviation, sustainable livelihoods of forest dependent people, rural development, provision of environmental benefits and services, particularly adequate water for human well-being; gender equity; rehabilitation and restoration of deforested and degraded forest lands
- foster meaningful partnerships and joint initiatives with constituencies, including political leaders and Major Groups, associated with selective items of societal agenda
- enhance the capacity of the forest community to effectively address cross-sectoral issues.

c. *Regional initiatives and processes*

- support regional and eco-regional initiatives and processes concerned with forests and with cross-sectoral issues, to foster cooperation, facilitate implementation and mobilize support from the donor countries
- increase the visibility of the future IAF through regional initiatives and processes.

d. *National forest policy and programs*

- serve as a forum to exchange information and experiences, foster partnerships and monitor progress
- mobilize financial and technical support towards the development and implementation of national forest policy and programs, including cross-sectoral initiatives.

e. *Coordination of policy and programs*

- monitor deliberations on forests and forest-related issues in other inter-governmental and international fora (for example, environmental conventions, functional commissions of ECOSOC, multilateral financial institutions) and identify opportunities for synergies and cooperation.

f. *Monitor, assess and report on progress*

- monitor, assess and report progress on agreed prioritized set of achievable and time bound outcomes that will act as milestones for the future IAF. Information from country reports and other sources of information (e.g., reports made to other fora), may be used to assess progress
- take advantage of exiting reporting mechanisms and processes to avoid the multiplicity of reports and redundant information and to reduce reporting burden on countries
- undertake independent review of progress when requested by countries.

24. Participants identified a range of potential domestic roles, including:

- ensure high level participation in the decision-making related to IAF
- enhance forest legislation and law enforcement
- establish and implement, within the country's conditions and priorities, a national forest programme, based on internationally defined objectives and goals
- identify resources and developing institutional capacity for implementation
- engage relevant stakeholders in decision-making process and implementation
- establish linkages with other sectors
- set objectives and targets at the national level
- develop systems for benefit sharing
- mobilize private sector funding via partnerships and creating enabling environments
- monitor and report on national progress.

C. International roles

25. Participants identified a range of potential international roles, including:

- determine priorities for the IAF
- strengthen linkages with MDG's and MEAS
- provide a forum for policy guidance and sharing of information, experiences and lessons learned
- facilitate cooperation between major institutions and multilateral donors
- empower and strengthen the Collaborative Partnership on Forests (CPF) to enhance cooperation and coordination
- use CPF members for a clearing house mechanism on forest issues
- strengthen international forest-related organisations, such as FAO and the World Bank
- develop partnerships to: mobilize resources, including ODA, enhanced new and additional financial resources; transfer of environmentally sound technologies (including educational, cultural and research components); share information; and assist with human and technical capacity building
- establish mechanisms for facilitating trade in forest products deriving from sustainably managed forests, including access to markets, and restrict illegal trade
- cluster IPF/IFF proposals for action according to means of implementation
- facilitate establishment and implementation of national forest programmes

- strengthen regional cooperation and partnerships to increase financial and technical support and capacity building for sustainable forest management
- enhance ecological and environmental values from forests.

D. Role of Major Groups

26. Participants identified a range of potential roles of Major Groups, including:

- mobilizing political support and attention aiming at bringing the forest issue back to the agenda of governments and to the international political agenda
- engaging in partnerships and dialogue at all levels and especially in the implementation of national forest programmes as well as in monitoring progress
- Major Groups should have more coordination with UNFF Secretariat, and with CPF and its members
- improving participation through clearly defined expectations; support of governments; assistance in organising processes and improved information exchange
- representing a diversity of views, recognising that Major Groups often cannot represent consensus views within their constituencies and between Major Groups.

3. CHALLENGES AHEAD

27. Participants identified a range of challenges that lie ahead at the different levels, including:

A. General observations

- achieve high level coordination at all levels of the IAF. More effective coordination mechanisms are needed to better streamline actions and decisions of other processes, instruments and institutions that affect forests and forest policies
- secure support from highest political levels for sustainable forest management at all levels
- relate strategic forest goals/overarching objectives to the MDGs, but define specific forest goals/overarching objectives in support of MDGs
- insert forests in the global agenda for sustainable development at the same rank as water, poverty alleviation and protection of other life support systems
- devise an effective mechanism to establish goals, objectives and functions at the national, regional and global levels
- promote international trade in forest products from sustainably managed forests and address illegal logging and associated trade.

B. IAF challenges

- better position the UNFF in the UN system as the United Nations' high-level policy development, guidance and coordination body
- make better use of the UN machinery, including General Assembly resolutions, as well as ECOSOC and Commission on Sustainable Development mechanisms
- refocus IAF to focus on priority objectives and implementation
- establish appropriate status of IAF with high level commitment from involved parties
- create equal partnerships with other institutions engaged in forest issues
- increase and make more effective participation in IAF by G77 and China
- communicate IAF's activities and outcomes in simple language to a wider range of constituencies.

C. CPF challenges

- strengthen the CPF to enhance the capacity of CPF members towards the implementation of sustainable forest management and proposals for action
- strengthen the capacity of the CPF to search for resources, such as the role played by IPCC for activities related to climate change
- strengthen guidance to the CPF and its members.

D. Country challenges

- secure political priority at the national level
- address pressures on forests
- improve participation from forest practitioners and other constituencies, particularly women, indigenous peoples and local communities
- facilitate implementation of UNFF agenda in the context of realities in individual countries
- enhance economic benefits from forests in general, with particular attention to forest dwellers and forest dependent people
- increase the contribution of forests towards poverty reduction.

E. Major Group challenges

- communicate IAF's activities and outcomes to a wider range of constituencies within Major Groups
- enhance the contribution and participation of Major Groups.

F. Financing challenges

- increase financial resources for sustainable forest management, make more effective use of existing funds and seek additional financial support, for example, via a global forest fund
- develop mechanisms for valuing non-timber forest products and environmental services
- make better use of the UN machinery for the good of forests, including through the General Assembly Resolutions, as well as the mechanisms of ECOSOC and the Commission on Sustainable Development mechanisms.

4. MODALITIES OF A FUTURE INTERNATIONAL ARRANGEMENT ON FORESTS (IAF)

28. The discussion focussed on four potential options for the institutional status of the future IAF. Participants were asked especially to address the pros and cons of each of the options. The range of views expressed by participants is set out below.

A. General observations

- the options are not mutually exclusive. There are possibilities for two-track approaches
- there is need for a more detailed elaboration of each of the options to provide an appropriate basis for decision making and for better understanding of the merits of the different options
- linking options to preferred objectives, functions and targets has yet to be achieved
- all options will require the establishment of an effective financial mechanism for the implementation of sustainable forest management.

B. Potential options

Option 1: Discontinue current IAF

a. Pros

- would reduce costs, reduce the number of international meetings and reduce risks of overlap at the international level
- existing international instruments and international organisations could perform the anticipated tasks and functions
- may be an option if all other possibilities have been exhausted but may have undesired consequences for the political influence of forestry.

b. Cons

- would lose the central role of forest issues in international policy making and could result in disappearance of forest issues from the international agenda
- would result in loss of recognition of progress made since Rio, and of the valuable work accomplished to date by the IPF/IFF/UNFF process
- also loss of political visibility and of opportunities for intersessional meetings related to sharing of experiences and lessons learned.

Option 2: A non-legally binding instrument (NLBI) such as an enriched and stronger version of the current International Arrangement on Forest

a. Pros

- strengthened UNFF could provide a permanent mechanism with a well defined structure and a clear mandate for coordination and guidance
- would maintain the objective to promote the management, conservation and sustainable development of all types of forests, as well as strengthening the long-term political commitment to this end, based on Agenda 21, Rio Declaration, including the Forest Principles, Chapter 11 of Agenda 21 and the outcomes of IPF and IFF
- would be unnecessary to establish new mechanisms, provide ability to build on lessons learned and build on progress made to date
- would maintain UNFF as the high-level global policy forum responsible for the negotiation of forest related issues. Taking into account a long-term process should extend the mandate. There is a need to focus on international cooperation to increase the capacity and ability of all member states to contribute and collaborate towards the achievement of sustainable forest management
- would provide opportunity to secure commitment from a broad range of high-level political leaders and their engagement in implementing sustainable forest management at all levels
- current arrangements are gaining momentum and should create an increasingly cooperative atmosphere within the framework of common work under the forests issue, aimed to develop those elements that really need improvement
- least difficult option as, despite current difficulties and obstacles, there has been notable progress. This option can only work if the arrangement is made more effective and focussed; commitment to global objectives and targets is established; the mechanism for implementation is improved; and linkages with regional processes and improved stakeholder participation are improved.

b. Cons

- option does not appear to be solving current lack of political visibility and authority with forests being regarded as a low profile issue in the international agenda. This is a major weakness in promoting implementation of sustainable forest management

- the framework is not strong enough for setting efficient mechanisms for better performance of functions
- lacks funds for developing practical programmes
- current arrangements appear to be fragmented with reduced authority on implementation and addressing problems in an effective way
- continuing current arrangements demonstrates a lack of vision on long-term commitment
- a stronger version of UNFF appears to be a challenging task as the current arrangement has all the necessary political authority. How a strengthened IAF could be achieved has so far not been clarified and elucidated
- can the current UNFF be strengthened without being made legally binding?

c. Comments

- this option includes several sub-options which need further elaboration, such as: should the policy framework consist of the existing framework or should there be a new coherent declaration; should the institutional framework be the current arrangement (ECOSOC) or should there be a new institutional arrangement (within ECOSOC framework or outside UN); and should the Secretariat and meetings be in New York or another location?
- improvement could be achieved through more effective and cohesive monitoring based on agreed objectives and targets, explicitly mandating specific organisations, collaboration under CPF and incorporating into respective organisations' contributions to goals, objectives and targets in their strategic planning and evaluation framework
- UNFF would have to be enhanced through organisational and financial strengthening
- mandate of UNFF as a high level policy, guidance and coordination body would have to be enhanced
- linkages to global socio-economic agenda, especially MDGs, could provide access to improved funding and political attention
- is it possible, through CPF and its members, to establish an effective implementation instrument?

Option 3: A legally binding instrument (LBI) such as a Framework Convention which may establish overarching principles and general objectives and make provisions for subsequent protocols subsidiary to the Convention

a. Pros

- would raise political awareness and strengthen political commitment needed for support of international and national forest policies. Higher political visibility for forest issues
- could provide discipline and a strong framework for: clear objectives and associated targets; monitoring and reporting mechanisms; agreed criteria, indicators and clear definitions; clear rules of procedures and compliance mechanisms; adequate mechanisms for finance and technology transfer; and a coordinating mechanism to link up with other regional and thematic processes and instruments

- should ensure that the objectives and visions defined by a global forest policy are internalised by countries and national governments and generate commitments to agreed targets
- should lead to better coordination at the national level, translating these commitments into integrated national policies and budgetary allocations, which should be reinforced by comprehensive financing concepts tied to this instrument
- better national co-ordination would also lead to greater coherence within governing bodies of CPF members, which should optimise efforts of financing, technology transfer and capacity building at all levels
- clear procedures on monitoring and reporting linked to a non-confrontational compliance mechanism should allow for the assessment of progress made, which in return should lead to improved financing and technology transfer, thereby provide a positive feedback to ongoing efforts
- would represent a dynamic organisation, linking global, regional, national and local levels, which reinforce each other; could provide a flexible approach allowing emerging issues to be adopted
- would give forest issue the same status as other issues covered by MEAs, which should ensure more effective cooperation with other MEAs
- could ensure stronger voice at the international, regional and national level and its role for social, economic and sustainable development at all levels
- would provide enough flexibility to address emerging issues via protocols
- by establishing its own rules for participation of major groups, may be less restrictive that under current UN rules.

b. Cons

- international community does not have the time to negotiate and bring to fruition a LBI. Would result in drain of energy and resources from the international debate on forests that could better go towards collaboration and implementation on the ground
- because of the already existing LBIs, it would be extremely difficult to attract support at different levels, and put everything into a single instrument
- enormous diversity of national circumstances and forest types could render untenable the mandating of a specific set of legal obligations on a global basis
- extremely difficult and would require a long and time consuming process of negotiation with the risk of having a weak convention at the end
- does not automatically ensure effective implementation and would need new mechanisms
- risk of lowest common denominator; no guarantees for adequate funding
- existing MEAs, such as CBD,UNFCCC and UNCCD provide a series of instruments which could cover most of the needs

- would need engagement of the main forest countries. LBI could only be effective only if there is a consensus and, at this moment, some countries may be reluctant at participate.

Option 4: A legally binding instrument such as a Stand alone Convention, open to participation by all or a large number of states that impose binding commitments accountability and may involve pre-agreed sanctions

- LBI may include incentives as well as sanctions
- unnecessary to define that it is open to all states.

Some participants noted that many of the pros and cons are more or less similar to those for Option 3.

29. Other options mentioned include:

- developing a protocol under an existing instrument (such as CBD, UNFCCC or UNCCD). This could deal with specific issues and reduce costs. However, the option lacks flexibility and is quite narrow; forests would be constrained by the framework convention losing the holistic approach
- need for a new "narrative' for forestry to mobilize support for the forest agenda. The new 'narrative" would emphasize "poverty reduction, governance, institutions and the rule of law". In this context, it would be desirable to undertake concrete measures to mainstream and integrate the forest sector with the appropriate component(s) of societal agenda and national planning
- developing voluntary guidelines.

Some participants noted that the new "narrative" and voluntary guidelines could apply to option 2.

5. DESCRIPTION OF OPTIONS FOR FINANCE AND FINANCING FOR THE IAF

30. Participants highlighted a number of issues as relevant to the actual situation of financing for forests, including:

A. Official Development Assistance (ODA)

- increasing decline of ODA and other sources of funding for sustainable forest management due to the lack of importance of forests in the political agenda
- access ODA, particularly for countries with low forest cover, where several hundred million people live in and around forests and depend on forests for their daily subsistence
- use ODA as a leverage for investments from private sources
- secure ODA for human and institutional capacity building
- ODA is given according to priorities of recipient countries, therefore forests must be prioritized and included in national poverty eradication plans.

B. Need for Financial Resources to Strengthen SFM

- need to increase, strengthen and mobilize financial support and financial resources for sustainable forest management from public and private sources
- need to formulate concrete financial objectives and strategies at the national and international level
- encourage enhanced bilateral cooperation
- need to fund capacity building activities within countries
- need for setting of objectives, targets with timetables for channeling financial resources to developing countries
- need to set up indicators to measure the progress made towards achieving the objectives and targets
- sustainable forest management is in the best self-interest of each country; commitment to SFM should therefore not be conditioned
- members of CPF should prepare a detailed overview of the current situation of financial resources provided to developing countries, which will help in setting up objectives, targets and indicators
- need to further elaborate the financial proposals for the future of IAF based on information provided by the Secretariat of UNFF in relation to current budget spending with the sources of funding of UNFF or any multilateral agreement as well as the estimated costs for the future IAF using the existing sources of funding and the prospective and expected resources of funding
- the proportion of the contributions of member states will depend upon the future IAF
- need to have a higher accountability of funds.

C. Financial Mechanisms

- establish a global forest fund to assist developing countries and the countries with economies in transition. Some participants referred to the leading role for the FAO in this respect
- need for establishing an effective financial mechanism for the implementation of sustainable forest management
- promote a study of the financial consequences of the different modalities.

31. Additional issues were identified by some participants, including;

- foreign direct investment for industrial development to forest rich countries with appropriate enabling environment for investment
- encourage public-private partnerships
- capture of increased revenue collection as well as control of illegal logging
- increase profitability of sustainable forest management

- strengthen the emerging markets for environmental benefits and services
- access multilateral and regional development banks and Regional Commissions of ECOSOC
- identify philanthropic institutions and foundations providing funds for sustainable development and for MDGs
- need for an increased involvement by GEF and for GEF to have a separate component to fund the implementation of actions and objectives to achieve sustainable forest management
- international funds for forests should be transferred through FAO facilities to governments
- the "Source Book" developed by CPF in collaboration with the National Forest Programme Facility (hosted by FAO) is a valuable source of information on sources of funds and the type of forest-related activities supported. Contributions towards the maintenance of this initiative and dissemination of information on the "Source Book" among developing countries and countries with economies in transition, deserves strong support from the donor community
- national financial strategies should outline the contributions of the different actors and should be an integral part of NFPs and should be prioritized via NFPs
- undertake pilot projects to demonstrate the contribution of forests, for example, Model Forests and watershed management
- create an improved environment for increased private sector funding.

D. Approaches for Funding the IAF

- premature to describe options at this stage. This exercise has to depend on the modality of the future IAF
- crucial components are the assessment of countries and international finance institutions to support the forest agenda; capacity building and awareness raising in relation to the mobilization of financial resources
- need to take into account the forest related actions and issues referred to in the Rio Declaration, Agenda 21 etc in relation to provisions of new and additional resources, transfer of technology and capacity building
- funds should be channeled through existing bilateral, regional and multilateral mechanisms as well as through the competent international organizations and United Nations Programmes
- current IAF cannot capitalize existing financial resources. An LBI could optimize adequate mechanism for improving financial resources, including GEF support (although no guarantees can be given); at the same time would signal that it is not an instrument for putting pressure, but for optimizing mutual support and providing incentives in achieving sustainable forest management
- need to provide enhanced financial support to facilitate the implementation of PfA and to support the policy deliberations. Special financial support to undertake cross-sectoral policy initiatives and pilot studies among its members as well as to support regional- and country-level initiatives would be

critical. There is a critical need to address the issue of appropriate modalities to provide financial support for CPF members, for example via a trust fund for promoting cooperative work on forests

- need to secure adequate UN funding for administrative arrangements of the future IAF
- potential for a levy on wood products traded internationally to finance implementation of sustainable forest management.

32. Examples of financing modalities:

- CPF activities to be financed by interested donors.

III. FURTHER WORK IDENTIFIED BY THE CLI

33. Some participants suggested that further work might be done following the CLI, for example:

- technical work to elaborate further the options for a future IAF
- considering objectives and targets
- developing links between the forests agenda and the wider socio-economic agenda especially MDGs
- the CLI leaders might initiate follow-up work to improve the level of understanding of the options to be considered and the decisions to be made at UNFF5.

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Item 10 of the provisional agenda*
Other matters

Letter dated 11 April 2005 from the Permanent Representative of the United Kingdom of Great Britain and Northern Ireland to the United Nations addressed to the Secretary-General

I have the honour to transmit to you the report of the meeting of The Forests Dialogue, held in Hong Kong, China, from 7 to 10 March 2005, on "Practical actions to combat illegal logging" (see annex). I should be grateful if the present letter and its annex could be distributed as a document of the fifth session of the United Nations Forum on Forests (16-27 May 2005), as a contribution to the deliberations of that body.

(*Signed*) Emyr **Jones Parry**

* E/CN.18/2005/1.

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Annex to the letter dated 11 April 2005 from the Permanent Representative of the United Kingdom of Great Britain and Northern Ireland to the United Nations addressed to the Secretary-General

The Forests Dialogue

Dialogue on practical actions to combat illegal logging
7-10 March 2005 — Hong Kong, People's Republic of China

Co-Chairs' summary report*
Nigel Sizer, Cassie Phillips, Mubariq Ahmad

For the first time, over 120 leaders from business, civil society and Government have met to agree on concrete actions to combat illegal logging in Asia and around the world. Companies and Governments agreed that they each must take responsibility to ensure that the wood and paper products they purchase are legal.

We all agreed that the highest priority is to ensure that no wood is sourced illegally from national parks and reserves or stolen from local communities and private landowners. Such wood contributes to severe ecological harm, promotes social conflict, human rights abuses and violence, results in huge economic losses and slows the development of poor countries. Illegal wood also depresses the prices of wood and paper products, harming companies that respect the law as well as undermining confidence in the industry.

We placed an emphasis on steps that business and civil society can take quickly to reduce illegal logging. Priority actions emerging from the dialogue include the following:

1. Collaborate to strengthen important existing alliances to combat illegal logging, such as:

(a) The Conservation International/American Forest and Paper Association Alliance to Combat Illegal Logging in Protected Areas;

(b) The Global Forest and Trade Network led by the World Wide Fund for Nature (WWF);

(c) The World Business Council for Sustainable Development/WWF joint agenda to combat illegal logging.

2. Use experience gained from ongoing partnerships to develop agreed, auditable, practical national legality standards to accelerate progress towards similar standards in other countries with a high-risk of illegal logging.

3. Create a simple, credible, independent and objective ratings system that can be applied to identify high-risk countries and tree species. Such a system would help forest products companies, retailers and customers, as well as investors, creditors and insurers, to reduce the risk of supporting illegally sourced, harvested

* This statement is the personal summary by the co-chairs and has not been agreed upon by all participants prior to distribution. A more detailed meeting summary will soon be available.

or traded forest products through their wood and paper buying and financial services. This could in turn lead to development of a ratings system for companies.

4. Encourage companies to use innovative technology for wood tracking and to share best practices to improve their supply chain management, reduce costs and assist them in ensuring that illegally sourced, harvested or traded wood does not enter their supply chains.

Companies and non-governmental groups at the meeting included IKEA, Axel Springer Verlag, APRIL, International Paper, Weyerhaeuser, HSBC, ASRIA, Sumalindo, SGS, Stora Enso, Mondi, Tetra Pak, Nippon Paper, Oji Paper, The Nature Conservancy, WWF, World Business Council for Sustainable Development, Conservation International, Greenpeace, Environmental Investigation Agency, Friends of the Earth, Telepak, Tropical Forest Trust, WALHI, CIFOR and the World Resources Institute.

The meeting heard repeatedly how weak governance, corruption, poor law enforcement, conflict, unclear property rights and low investment in training and management of public agencies severely hamper efforts to combat illegal logging. The meeting called on Governments urgently to lead efforts to address these failings.

Priority actions agreed to help build governmental leadership are the following:

1. The Forests Dialogue will send a small delegation of business and civil society leaders to meet with Ministers and other top officials in key capitals in Asia, Europe and beyond to share the results of this meeting and urge concerted effort.

2. Calls for action will be communicated at important upcoming intergovernmental meetings, including the following:

(a) Meeting of the ministers of environment and development of the Group of Eight, England, 17-18 March 2005;

(b) Meeting of the Committee on Forestry of the Food and Agriculture Organization of the United Nations (FAO), 14-18 March 2005;

(c) United Nations Forum on Forests, New York, 16-27 May 2005;

(d) Summit of the Heads of State of the Group of Eight, Scotland, June 2005;

(e) The East Asia FLEG Task Force meeting, Manila, September 2005; and the North Asia and Russia FLEG Ministerial meeting, St. Petersburg, Russian Federation, September 2005.

3. Key government officials who participated in the dialogue called for greater partnership with industry and civil society. All Governments present committed to follow up to strengthen such partnership soon.

Many participants applauded efforts by the European Governments, the United States of America, Japan and others to provide greater targeted development assistance to assist poorer countries with governance reform, training, law enforcement and other activities. Many also encouraged efforts by Europe to introduce public procurement policies and voluntary partnerships with exporting countries that will reduce the import into Europe of wood that may be illegal. We

must all learn quickly from the valuable lessons that will surely emerge from these experiences over coming years.

Importantly, there was strong agreement that law enforcement should be substantially strengthened in both exporting and importing countries. Exporting countries should take urgent steps to enforce laws that protect forests of high value for conservation and to protect local communities from conflict created by illegal logging. Importing countries can do much more to use existing laws to prosecute those involved in the import and distribution of forest products that are illegal in origin. Exemplary prosecutions should be sought using laws to prevent money-laundering, tax evasion, counterfeiting, smuggling, and false claims. Prosecution of large offenders, leaders of criminal syndicates and financiers of forest crime should be the highest priority in this much-needed global crackdown on forest crime. In addition, some participants urged the consumer countries to make it illegal to import wood products illegally sourced in the country of origin.

Governments represented at the meeting included: the People's Republic of China, Malaysia (Sarawak and peninsular Malaysia), Japan, Indonesia, the Philippines, the United States of America, the United Kingdom, Sweden and the Russian Federation. The European Union also sent representatives to the meeting.

There was strong support for regional efforts to combat illegal logging, such as the Forest Law Enforcement and Governance initiatives and the Asia Forest Partnership. During the meeting, officials from China, Indonesia and Malaysia agreed that they should work more closely together to reduce the trade in illegal wood between their countries.

Acknowledgements

The co-chairs are extremely grateful to all who participated in the meeting for the time, energy and expressions of commitment to work together to combat forest crime.

TFD thanks the following for sponsorship of this meeting:

Civil society: The Nature Conservancy; WWF; Yale University

Private sector: APRIL; American Forest and Paper Association; International Paper; World Business Council for Sustainable Development

Governments/Intergovernmental: Department for International Development, United Kingdom; International Tropical Timber Organization; Swedish International Development Agency; United States Agency for International Development; Directorate General for International Cooperation (DGIS) — the Netherlands

TFD thanks the following for serving as leaders in developing this meeting: Nigel Sizer-TNC, Cassie Phillips-Weyerhaeuser; Mubariq Ahmad-WWF Indonesia; James Griffiths-WBCSD; Hugh Speechly-DFID UK; Rod Taylor-WWF Asia-Pacific; Bo Gohl-SIDA; Roberto Smeraldi-FOE Brazil. For Coordination: Judy Chau-TNC Hong Kong; Kate Fuller-WWF Asia-Pacific; Sarah Price and Linda Kramme-Yale.

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For access to all of the presentations made at the meeting, list of participants, background reports and useful links please go to www.theforestsdialogue.org.